MARKETBEAT

POLISH REAL ESTATE MARKET REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

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20 YEARS IN POLAND

ABOUT POLAND

ROAD COMMUNICATION IN POLAND

Source: GDDKiA, September 2011

With an area of 312,679 km^2 Poland is the largest country in CEE region, 6th in EU and 69th in the world. It borders the Czech Republic and Slovakia (south), Germany (west), Russia (north) and Ukraine, Belarus and Lithuania (east).

Poland is inhabited by 38.2 million people. 61% of the population live in urban areas. The population density is 122 inhabitants/km^2 (10th place in EU and 86th in the world).

Since 1999 Poland has been administratively divided into provinces (*voivodships*). These provinces are sub-divided into counties (*poviats*), which are sub-divided into communes (*gminas*). Poland currently has 16 provinces, 379 counties (including 65 cities with *poviat* status), and 2,479 communes. The largest conurbations in Poland are the Upper Silesian Conurbation inhabited by 3.5 million people (Katowice with population of 0.3 million) and the Warsaw Conurbation with 3 million inhabitants (Warsaw – 1.7 million). The remaining major cities are Kraków (0.7 million), Łódź (0.7 million), Tricity (0.7 million), Wrocław (0.6 million) and Poznań (0.5 million).

Poland is a parliamentary republic. The legislative branch consists of a two-chamber parliament elected for a 4-year term. The executive power is divided between the President and the Council of Ministers, led by the Prime Minister. The President is elected by popular vote every five years. Currently, Poland is led by the President Bronisław Komorowski (Civic Platform Party) and the Prime Minister Donald Tusk (Civic Platform Party). Poland is a member of NATO (1999) and the European Union (2004).

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On the cover: Warsaw Spire, Warsaw

FORECAST – THE END OF 2011

ECONOMY DIRECTIONS	
GDP: High economic growth is likely to continue through 2011.	↗
INFLATION: Projected annual rate is expected to exceed that of 2010.	↗
UNEMPLOYMENT: The unemployment rate should remain at a level similar to 2010.	↔

INVESTMENT MARKET DIRECTIONS	
OFFICE PROPERTIES	
PRIME YIELDS: After slight yield compression in H1, stabilisation is expected in the coming months.	↔
TRANSACTION VOLUME: Investment activity is projected to remain high.	↔
RETAIL PROPERTIES	
PRIME YIELDS: After slight yield compression in H1, stabilisation is predicted in the coming months.	↔
TRANSACTION VOLUME: Transaction volume forecast to rise, owing to sustained strong investor interest in retail projects.	↗
INDUSTRIAL PROPERTIES	
PRIME YIELDS: In current market conditions, there is no downward pressure on yields.	↔
TRANSACTION VOLUME: Investor interest in warehouse sector remains subdued.	↔

OFFICE MARKET DIRECTIONS	
WARSAW	
VACANCIES: Sustained high demand is expected, as is a slight fall in vacancies.	↘
RENTS: Effective rents are predicted to rise.	↑
REGIONAL CITIES	
VACANCIES: Increased take-up and a slight fall in vacancies are foreseen.	↘
RENTS: A slight increase in effective rents in locations with low vacancies expected, with stabilisation in markets with relatively higher vacancies.	↔

EXECUTIVE SUMMARY

ECONOMY PERFORMANCE

The turmoil in the world financial markets in late July and early August has created uncertainty about future macroeconomic fundamentals. Growth in the world economy will depend on the credibility and effectiveness of the austerity programmes of some key economies, in particular those of the United States and the industrialized countries of southern Europe.

With 2010 GDP growth of 3.8% year on year and 4% forecast for 2011, Poland boasts one of the most dynamic economies in the European Union. The long-term forecast for Poland remains positive, owing to its economic stability, efficient internal market and qualified workforce.

INVESTMENT MARKET

Favourable macroeconomic conditions continued to drive investment recovery in the Polish market during the first half of 2011. Transaction volume over the period totalled EUR960m, up by 23% on the same period last year. The office sector continued to draw the biggest share of investment interest. Office transactions accounted for 55% of total transaction volume. A dearth of high-quality space, the product most sought-after by investors, led to yield compression by around 50 basis points compared to the second half of 2010. Sustaining the current investment activity should drive up the level of the transaction volume in the next few months compared to the previous year.

OFFICES

The Polish office market in the first half of 2011 continued to enjoy the strong activity seen in 2010. Gross take-up in Warsaw reached a record 324.330 sq.m, up by 36% compared to the five-year average for the same period. Absorption (net take-up) was similar to the 2010's level in the same period (88,920 sq.m). Sustained occupier interest and lower vacancies boosted development activity. Total stock in Warsaw stands at around 3,530,490 sq.m. and in the main regional markets (Kraków, Wrocław, Tricity, Katowice, Poznań and Łódź) – 1,957,770 sq.m. Some 248,540 sq.m of space is under construction in the regions, which represents a 40% rise from the level at the end of 2010. Interest in smaller regional centres is also growing – Szczecin alone accounts for 7% of the space being built in the Polish market. Falling vacancies prompted a slight increase in the effective rents.

RETAIL

Established retail in good locations continues to draw major interest. Shopping centres delivered to the market during 2009-2010 posted steadily growing turnover and footfall figures, and falling vacancies. However, only a few new developments attained a 100% occupancy rate prior to opening.

INDUSTRIAL

The first half of 2011 brought confidence to the warehouse occupancy market. Transaction volume totalled 941,000 sq.m, which accounted for 66% of 2010's take-up. There is 336,000 sq.m under construction, total stock has already reached 6.7m sq.m. Speculative development continues to be scarce, and schemes will not proceed without pre-let agreements, at least for half of the planned space. All regions reported lower vacancy rates, which pushed rents up slightly.

RESIDENTIAL

Housing completions saw an increase in the first half of 2011, with a slight fall in demand owing mainly to higher interest rates, which reduced the borrowing power of potential purchasers and increased debt repayments. The planned changes to the "Rodzina na swoim" programme and the adoption of "Recommendation S" is likely to put further downward pressure on demand. Growing competitiveness among developers in the largest cities however should help push down average transaction prices.

HOSPITALITY

The hospitality market continues to show steady improvement. According to rough estimates from the Institute of Tourism, in Q1 2011 Poland welcomed 13.6 million foreign visitors, up by 10% on the same period the previous year. Holiday and business visits trips accounted for a growing share of total visits, boosting demand for hotel services. The Polish Presidency of EU and the 2012 UEFA European Football Championship, which Poland and Ukraine are jointly hosting, will drive up the occupancy rate.

FORECAST – THE END OF 2011

RETAIL MARKET DIRECTIONS	
WARSAW	
VACANCIES: Approaching 0%, limited availability of retail space for lease.	↘
RENTS: Modest upward trend, growing rental disparity between prime and secondary assets.	↗
MEDIUM SIZE CITIES	
VACANCIES: Expected stabilisation of vacancy rates.	↔
RENTS: More generous incentive packages result in widening the gap between headline and effective rents.	↔
SMALL TOWNS	
VACANCIES: Increase in vacancy levels, retail chains scaling down their expansion plans in small cities; new projects put on hold during the market slowdown.	↑
RENTS: Lower rents and more generous incentive packages a key part of commercialization strategy.	↓

INDUSTRIAL MARKET DIRECTIONS	
WARSAW	
VACANCIES: Downward vacancy trend should continue, with stable demand.	↘
RENTS: Rate gaps among the Warsaw suburbs are expected to widen.	↔
REGIONS	
VACANCIES: Falling vacancies in most regions are foreseen, with demand comparable to the level of H1 2011.	↘
RENTS: Rents will be stable, with possible modest increases in areas with lower vacancy rates.	↗

RESIDENTIAL MARKET DIRECTIONS	
SUPPLY: Rise in housing completions as a result of reactivating projects mothballed during the downturn.	↗
DEMAND: Reduced demand is expected, owing to tightening mortgage lending terms.	↘
PRICES: Lower prices are foreseen.	↘

HOSPITALITY MARKET DIRECTIONS	
SUPPLY: Upward trend in hotel completions level is expected to strengthen.	↑
OCCUPANCY: Improvement in occupancy levels will be driven by increased business trade connected with Poland's presidency of the EU among others.	↑
PRICES: Higher demand for hospitality services may lead to higher room rates.	↑

ECONOMY PERFORMANCE

ECONOMIC GROWTH AND UNEMPLOYMENT

With GDP growth of 3.8% year on year, Poland boasted one of the most dynamic economies in European Union in 2010. We are now seeing a continuation of this trend. The economy grew by 4.3% in Q1 compared with the same quarter of the previous year, with GDP forecast to hit 4% at the end of 2011. The labour market shows improvement as the number of unemployed fell for four consecutive months. As a result the unemployment rate in June fell to 11.8%.

INFLATION

Inflation surged during H1 2011 and it was not until June that the consumer price index slowed to 4.2% after reaching a record 5% (y/y), the highest figure in ten years, in May. The major causes were higher food and transportation costs. Economists agree that inflation peaks have already been reached and according to the National Bank of Poland (NBP) estimates, the CPI as of the end of 2011 will be 4%.

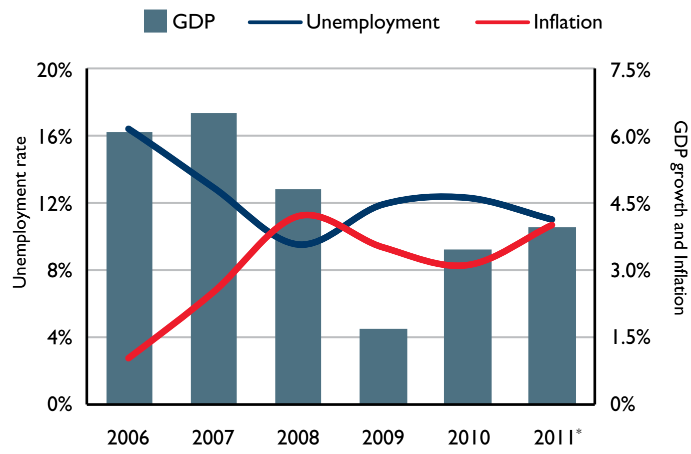
RETAIL SALES

The Poland economy's key drivers of internal growth in the first half of 2011 were strong domestic demand, stimulated by an increase in investment and consumer spending. Falling consumer confidence index, however, may hinder further sales growth in the second half of the year. According to Central Statistical Office, April's retail sales were the highest, up by 18.6% year on year, which represents 13.6% in real terms.

FOREIGN INVESTMENT

The main factors underpinning the foreign direct investment flows to Poland are robust economic activity, political stability as well as a receptive local market and a qualified workforce. A Harvard Business Review report places Poland alongside Austria and Germany as countries with favourable policies for foreign investment and strong macroeconomic fundamentals. Poland's strengths were reflected by the rise in number of foreign direct investment projects in 2010, up by 40% on the previous year's figures. The relatively low unit value of FDI projects in 2010 (EUR9bn) was attributable to a change in the investment model favouring smaller-scale projects. First-quarter 2011 data highlighted an increase in FDI inflows to Poland compared with the projected annual volume of EUR11bn in 2011. US firms are the largest foreign direct investors in Poland. Germany and UK occupy a dominant position among European investors.

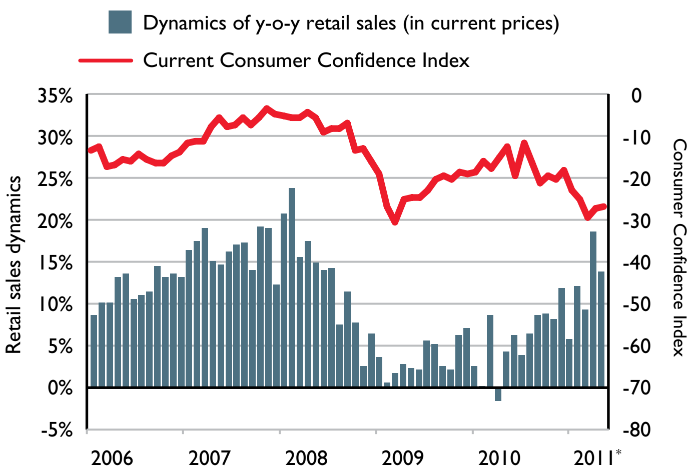
KEY ECONOMIC INDICATORS



Source: National Bank of Poland, CSO, Cushman & Wakefield Valuation & Advisory, July 2011

* H1 2011

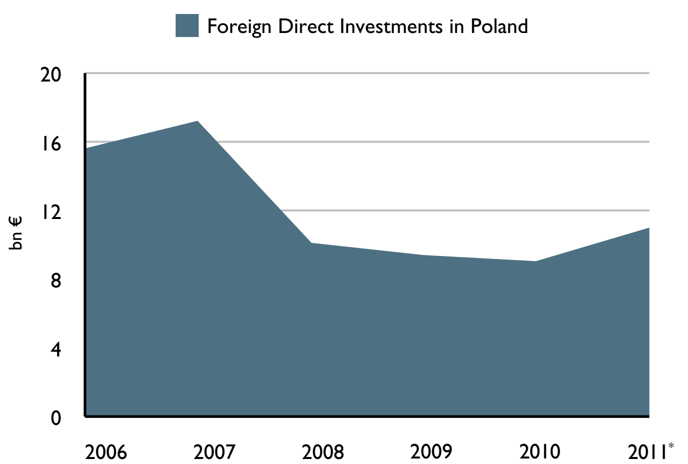
RETAIL SALES & CONSUMER CONFIDENCE



Source: National Bank of Poland, CSO, Cushman & Wakefield Valuation & Advisory, July 2011

* H1 2011

FDI IN POLAND



Source: National Bank of Poland, July 2011

* H1 2011

FINANCIAL MARKETS

FISCAL POLICY AND BUDGET

To help tackle the public sector deficit, which rose to 7.9% of GDP in 2010, the government implemented adjustments to revenue and expenditure budgets. These changes included reducing cash transfers from the budget to private pension funds and raising the VAT rate to 23%. According to the Ministry of Finance's forecasts, these measures will bring down the deficit to 5.6% in 2011. This easing of the budget situation paired with privatisation revenues for 2011-2012 should help to curb public debt.

EXCHANGE RATES

Eurozone countries debt was the principal concern of European investors in the analyzed period. It led to the weakening of the Polish currency against major currencies, except for the US dollar, which since the beginning of 2011 has fallen by 8.6% against the Polish zloty. In the currency market volatility is high, especially for the Swiss franc, which investors view as a safe haven. A rise in interest rates contributed to periodic appreciation of the domestic currency.

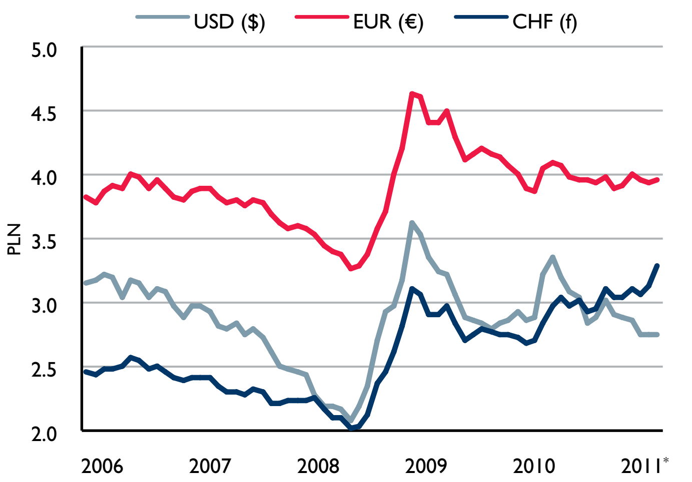
INTEREST RATES

In H1 2011 the Monetary Policy Council made four successive increases to interest rates, a total of one percentage point, which led to a rise in the NBP's reference rate to 4.5%. In effect, the WIBOR interbank rates rose, which in turn raised the costs of debt service in PLN. A similar situation was observed for EURIBOR after the European Central Bank raised interest rates. The expected slowdown in the rate of inflation is likely to prompt the Monetary Policy Council to hold off further tightening of monetary policy.

STOCK EXCHANGE

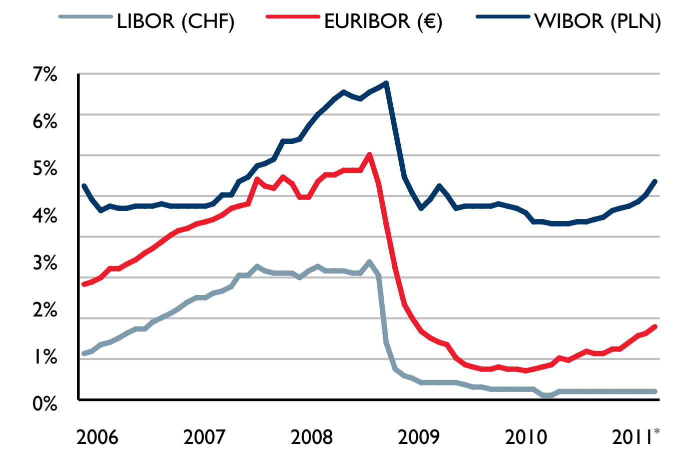
The Warsaw Stock Exchange posted significant growth in trading volume during the first half of 2011 with relatively low volatility. The stock traded increased by 30% year on year and reached around PLN129bn. A total of 26 companies listed on the exchange during the year, including Jastrzębska Spółka Węglowa, the most successful IPO of the analysed period. WSE ranks ninth worlwide in terms of trading volume on the primary market, and leads the CEE region. The highest level of trading volume was recorded in April, with the WIG 20 index hitting a high of 2,900 points. The building sector subindex WIG-Construction, in particular, has lost more than 20% since the beginning of the year, a fall that was attributed to expectations for margin reduction for new projects as well as the fall in the public sector investment.

EXCHANGE RATES IN POLAND



Source: National Bank of Poland, July 2011 * H1 2011

INTEREST RATES (3M)



Source: money.pl, July 2011 * H1 2011

WARSAW STOCK EXCHANGE DYNAMICS

Source: Warsaw Stock Exchange, July 2011 * H1 2011
1 January 2006 = 100

INVESTMENT CONDITIONS

Favourable macroeconomic conditions continued to drive investment recovery in the Polish market during the first half of 2011. Transaction volume over the period totalled EUR960m, up by 23% on the same period last year.

The office sector which accounted for 55% of total deal volume continued to draw the biggest share of investment interest. The retail market registered more than three-fold growth in transactional volume compared with the total for the first half of 2010. This figure was boosted by the Atrium European Real Estate's acquisition of the Promenada shopping centre for EUR171m. At the other end of the spectrum was the industrial sector, which over H1 2011 posted a 36% decline in volume compared to the previous year.

A dearth of high-quality space, the product most sought-after by investors, led to yield compression. Older schemes in inferior locations, with lower profitability indices and valued at yields on average 150-200 basis points higher than the reference rate, were more difficult to sell.

Rising investment demand was met by asset sales by funds, which liquidated selected properties in their portfolios. Together with developers these funds became the main source of supply. Office buildings were the main focus of buyers from Germany and Austria, while the retail investment market was dominated by buyers from the UK and the Netherlands. Domestic investors that are cash-constrained and tend to prefer more liquid investments claimed only a small share of the market.

Staying the course in the positive investment climate should sustain further investment growth. The transaction volume in 2011 is likely to surpass the 2010 level of EUR2bn. Relatively low investment risk in the region combined with attractive pricing compared to western markets will help to strengthen Poland's leading position in the CEE investment market.

OFFICES

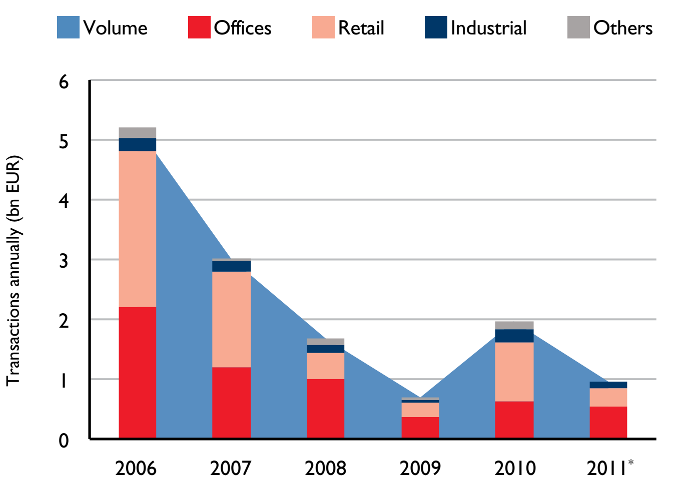
Activity remained buoyant in the office market on the back of a growing economy and the strengthening business position of Warsaw in the region. In the first half of 2011, office transactions accounted for 55% of total deal volume. Warsaw remained the focus of investors' interest; no transaction in the regional cities took place, as the paucity of high-quality office space and investors' increased risk aversion pushed them towards assets in safe havens.

Six transactions for a total of EUR528m were completed in H1 2011, of which 90% completed in the opening quarter. The largest deal was the Austrian CA Immo's acquisition of part of Europolis's portfolio. Apart from Austrian investors, German entities were also among the most active, with Deka Immobilien acquiring the North Gate office building for EUR103m, Union Investment purchasing Zebra Tower for EUR76m as well as IVG purchasing BTC Office Center and Al. Ujazdowskie 10 for approximately EUR43m.

Concentration of capital in the prime market led to yield compression and a widening yield gap between primary and secondary properties. The yield for prime office assets in the centre of Warsaw stood at 6.4%; assets located outside the centre commanded a yield of 6.75% and in the case of regional markets remained close to around 7%.

More property is expected to come on to the market by the end of the year, particularly from investment funds – current yields offer the chance to turn a profit on assets purchased during the peak market. At the same time, new office completions are expected to be limited, a result of the low level of construction starts seen during the downturn.

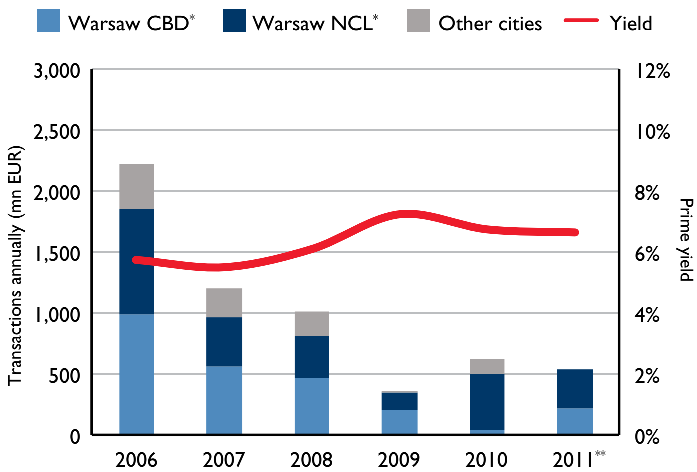
TOTAL INVESTMENT DEALS



Source: Cushman & Wakefield Valuation & Advisory, July 2011

* H1 2011

OFFICE INVESTMENT DEALS AND PRIME YIELD



*Central Business District, Non Central Locations

** H1 2011

Source: Cushman & Wakefield Valuation & Advisory, July 2011

RETAIL

The improvement in investment activity was particularly notable in the retail market. In the first half of 2011 retail transaction volume totalled EUR302m, a three-fold increase on the same period last year. A rise in investment activity paired with a shortage of prime stock meant that yields hardened to around 6.25% in Q2. Secondary yields exceeded 10% in specific markets, reflecting investors' more cautious approach to sub-prime properties in less favourable locations.

The most active seller in H1 2011 was the British investment fund Carpathian, which finalised the sale of its properties. This comprised the Promenada shopping centre in Warsaw, purchased by Atrium European Real Estate for EUR171m, and four smaller shopping galleries: Tulipan Łódź, Kometa Toruń, CH Sosnowiec and CH Osowa in Gdańsk, acquired by British fund Pradera for EUR74.7m.

Competition is rising between shopping centres located in the largest cities. Prime yields for the most prominent assets in regional cities are approaching the capital city's levels.

The short-term forecast looks positive, with a number of transactions expected to close in the second half of 2011, including GTC's sale of a 50% stake in Galeria Mokotów to the current co-owner and manager, Unibail-Rodamco, and American fund Blackstone Real Estate's impending acquisition of Rank Progress's portfolio, which comprises shopping galleries in Kłodzko, Kalisz and Zamość.

INDUSTRIAL

The industrial market moved towards a state of equilibrium in the first half of 2011. Transaction volume totalled around EUR130m, making up more than 13% of total deal volume, a decrease of around 36% on H1 2010.

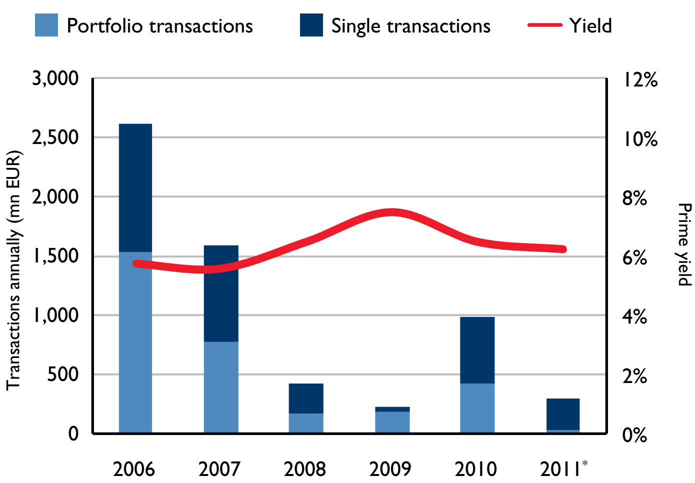
The Austrian CA Immo group dominated investment activity. With its acquisition of Europolis, it became the owner of shares in logistics centres in Błonie and Piotrków Trybunalski worth more than EUR70m in total. Another significant event was Invesco's acquisition of Tesco's distribution warehouse in Gliwice for EUR37m. This BTS (built-to-suit) scheme was developed by Panattoni; the terms of the deal were agreed in the previous year.

Despite a lack of clear signs of rebound in activity, yields, following a two-year stabilisation at 8.5% for prime assets, edged down in 2011 to around 8%.

The development pipeline comprises mostly BTS (built-to-suit) schemes. Unlike speculative investments, such projects are likely to be eligible for bank financing. They are also more popular with investors, who are increasingly looking for modern, fully let facilities in prime locations.

Poland's central geographical location makes it an attractive destination for logistics centres. However, given the low liquidity, passive management and limited returns of these types of assets, as well as the optimistic expectations of sellers, rapid growth in deal volume is doubtful.

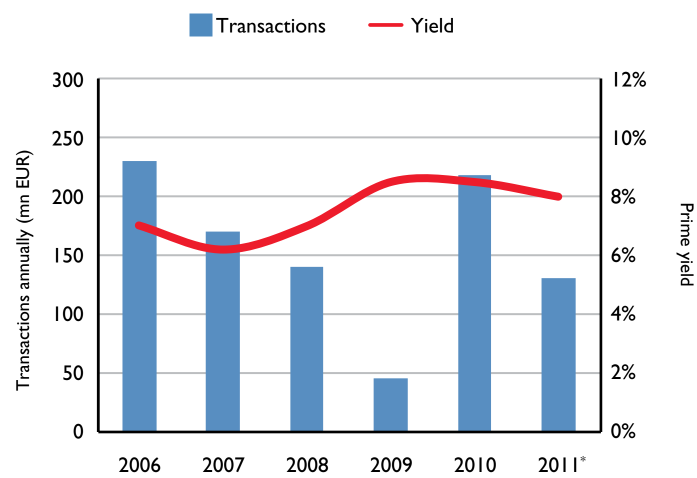
RETAIL INVESTMENT DEALS AND PRIME YIELD



Source: Cushman & Wakefield Valuation & Advisory, July 2011

* H1 2011

INDUSTRIAL INVESTMENT DEALS AND PRIME YIELD



Source: Cushman & Wakefield Valuation & Advisory, July 2011

* H1 2011

WARSAW MARKET OVERVIEW

Figures for the first half of 2011 are clear evidence of the considerable jump in office take-up that began in the last six months of 2010. The volume of office space leased from January to June 2011 was around 36% up on the same period average for the past five years. The limited supply of new developments pushed vacancy rates down in nearly all the districts of Warsaw. Effective rents rose in the areas of highest office space concentration.

SUPPLY

Warsaw's office stock is around 3,530,490 sq.m. Owing to the credit crisis in late 2008 and early 2009 and the consequent suspension of most developments, less than 57,300 sq.m came on to the market in the first half of 2011. This total was 43% of the supply in the same period in 2010 and only 33% of 2009's level. Pre-lets have become a more important factor determining supply, because construction of most new developments cannot start until external funding is secured.

Around 75% of office schemes delivered in the first half of 2011 is in Warsaw's Central Business District (CBD). These included JM Tower (23,500 sq.m), Prosta Tower (5,360 sq.m), Mokotowska Square (8,560 sq.m.) and Pałac Młodziejowskiego (4,960 sq.m). Buildings delivered in non-central locations included Platinium Business Park IV (13,000 sq.m) and Racławicka Point (1,920 sq.m) in the Mokotów district.

A further 85,400 sq.m of office space is to be developed by the end of 2011. Most schemes under construction are in non-central locations, including: Mokotów Nova (Ghelamco), Equator II (Karimpol Polska) and Wilanów Office Park (Polnord SA, A and B1 buildings). Around 13% of new space will be added in the CBD, with the largest schemes being Hortus (Nieruchomości Powiśle) and Ufficio Primo (Kulczyk Holding).

CONCEPT TOWER, WARSAW

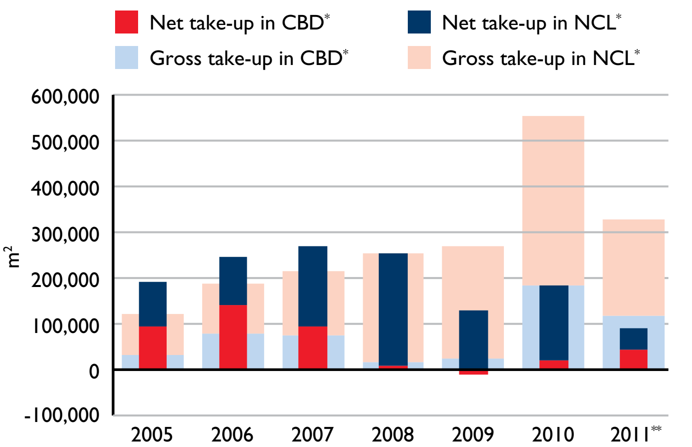
DEMAND

In the first half of 2011, gross take-up in Warsaw reached 324,330 sq.m and was up by around 47% on the total for the same period of 2010. Absorption (net take-up) exceeded 88,920 sq.m; around 53% of this, or 46,820 sq.m, was under new leases in non-central locations. Net take-up in the CBD reached around 42,100 sq.m.

Mokotów, the fringes of the CBD and the area of Jerozolimskie Avenue continued to be the most popular locations with tenants and developers. Most leases (73%) were for more than 1,000 sq.m, while office deals for more than 3,000 sq.m accounted for around 42% of the total transaction volume.

The first half of 2011 witnessed an increase in pre-lets whose share in total take-up reached 25%. Renewals and renegotiations continued to account for a large take-up share (34%).

NET AND GROSS TAKE-UP IN WARSAW



*Central Business District, Non Central Locations
** H1 2011

Source: Cushman & Wakefield Valuation & Advisory, July 2011

VACANCY RATES

The limited supply of new office space and the stable demand since the second half of 2010 pushed vacancy rates down in the first six months of 2011. At the end of June 2011, there was around 218,170 sq.m of vacant space in Warsaw, around 6.17% of the capital's total stock. The lowest vacancy rates were in the part of the Wola district closest to the city centre (2.6%) and in Wilanów (3.16%), where the volume of vacant space declined by nearly 50% in the past six months. However, no new office buildings were delivered in these regions in the past year. Ursynów reported the highest vacancy rate (11.9%), owing mainly to the delivery in 2010 of phase I and II of Poleczki Business Park and WAN SA's office building. Vacant space in these schemes account for around 42% of this district's total vacant stock. The largest decline in vacancy rates (around 2.65 percentage points) was recorded in Mokotów and Służewiec Przemysłowy. Limited supply is likely to continue to push vacancy rates down.

RENTAL LEVELS

The limited supply, considerable rise in demand and the downward trend in vacancy rates pushed rents up throughout Warsaw at the end of 2010. In the first half of 2011, headline rents remained flat, but effective rents continued the upward trend.

Headline rents for prime properties in central Warsaw remained at EUR 24-26.50/sq.m/month, while in non-central locations they stood at EUR 15-16.50/sq.m/month.

Effective rents vary considerably. In prime locations with the highest office space concentration, such as Mokotów and the CBD, rents reached EUR 12-15/sq.m/month and EUR 20-24/sq.m/month respectively. The difference between effective rents in schemes located in the same district has widened by as much as 25%, depending on the quality grade, scale and exposure of properties, and the status of tenants as well as lease volume.

EUROCENTRUM OFFICE COMPLEX, WARSAW

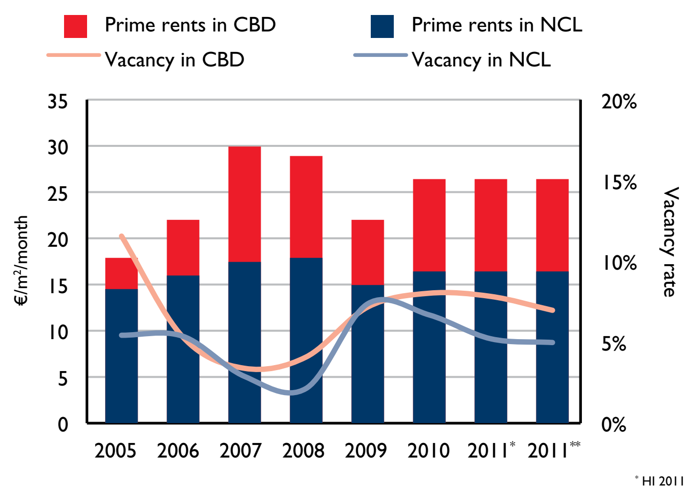
WARSAW MARKET INFORMATION IN H1 2011

Location	*Central Business District*	*Non Central Locations*	*Warsaw*
Number of buildings	102	269	371
Stock	1,210,370 m²	2,320,120 m²	3,530,490 m²
Total vacancy	97,483 m²	120,687 m²	218,170 m²
Vacancy rate	8.05%	5.20%	6.17%

STANDARD LEASE TERMS IN WARSAW (A CLASS)

Location	*Central Business District*	*Non Central Locations*
Headline rents (m²/month)	€ 19 - 26.5	€ 14 - 16.5
Underground parking	€ 120 - 180 space/month	€ 70 - 90 space/month
Surface parking	€ 70 - 120 space/month	€ 45 - 75 space/month
Service charge	€ 5 - 6.5 m²/month	€ 4 - 5.5 m²/month
Incentives	Financial contribution Fit out contribution Rent free period for: 3-6 months	Financial contribution Fit out contribution Rent free period for: 4-8 months
Lease length	5 - 10 years	5 - 10 years
Add-on factor	0 - 10%	0 - 5%
VAT	23%	23%
Indexation	EUR lub US CPI	EUR lub US CPI
Others	Deposit or bank / company guarantee	Deposit or bank / company guarantee

RENTS AND VACANCY IN WARSAW



Source: Cushman & Wakefield Valuation & Advisory, July 2011

* H1 2011
** forecast

REGIONAL CITIES

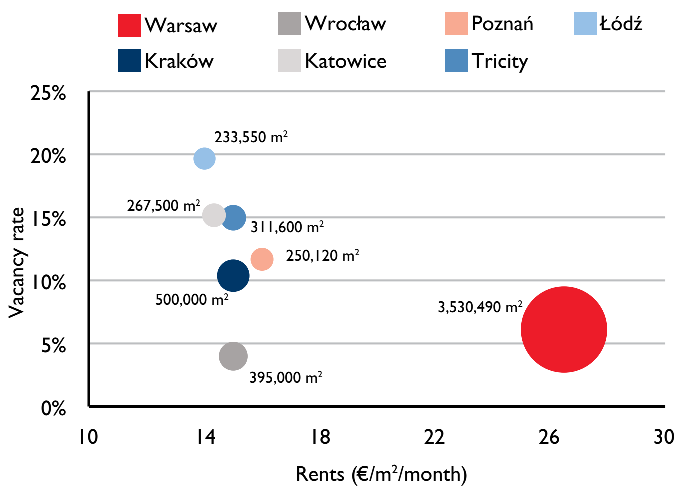
KRAKÓW

Prime office stock in Kraków stands at around 500,000 sq.m. In the first half of 2011, about 24,000 sq.m hit the market through schemes such as Bonarka 4 Business (phase 1) and Green Office (building B). Around 61,500 sq.m is under construction, of which more than 30% will be delivered before the end of 2011. It should be noted that about 80% is being built on a speculative basis – without pre-let agreements. Take-up in the first half of 2011 stood at 55,370 sq.m, with renegotiations and new agreements representing around 46%. The largest transaction was the renewal of a lease of 16,100 sq.m in the Kraków Business Park by Shell. New completions pushed vacancy rates up slightly, and by the end of the first half of 2011 the rate had risen to 10.4%. Asking rents remain at EUR 13-15/sq.m/month.

WROCŁAW

With 395,000 sq.m of office stock, Wrocław is the second-largest and at the same time the fastest-growing regional office market. In the first half of the year, about 5,980 sq.m of space came onto the market, including the refurbished Grabiszyńska Office Centre. A relatively large amount of office space, 74,360 sq.m, is under construction, most of this on a speculative basis. Increasing development activity on the Wrocław office market is the result of sustained occupier interest and the lowest vacancy rate in Poland. The leasing transaction volume in the first half of the year was 17,670 sq.m, with new agreements making up 85% of the total, whereas prelets accounted for about 57% of take-up. The largest transaction was IBM's lease of 8,000 sq.m in the Wojdyła Business Park. The vacancy rate in the first half of the year increased slightly to 4%, as new completions hit the market. Asking rents are EUR 13-15/sq.m/month.

MODERN OFFICE SPACE IN POLAND



Source: Cushman & Wakefield Valuation & Advisory, July 2011

TRICITY

The completion of the Allcon Park II in the first half of 2011 brought the Tricity's total office stock to 311,600 sq.m. About 41,500 sq.m of office space is under construction, of which 60% is scheduled for delivery before the end of 2011. Key projects under construction are the Olivia Business Centre (TPS), the Opera Office (Euro Styl) and the BCB Business Park (Bałtyckie Centrum Biznesu). In the first half of 2011, about 11,640 sq.m was leased, with new contracts accounting for 77% of this total. One of the largest transactions was Jeppesen Poland's lease of 2,568 sq.m in the Arkońska Business Park. In the last six months, the vacancy rate decreased by 2.2 percentage points to 15%. Rents remain at EUR 13-15/sq.m/month.

KATOWICE

Prime office stock in Katowice is estimated to total around 267,500 sq.m. In the first half of 2011, only the 4,800 sq.m of the completed Steel Office (Opal) project came on stream. Some 13,670 sq.m is under construction in four projects, of which about 46% will hit the market by the end of 2011. The Silesia Business Park I (Skanska Property Poland) and Piaskowa Business Center (Secus Property SA) have building permits for a total of 20,622 sq.m. Transaction volume in the first half of 2011 totalled 23,790 sq.m, new agreements made up 52% of this total. The largest transaction in the first half of 2011 was the renewal of Capgemini's lease of 5,700 sq.m in Altus. Limited supply and growing occupier interest pushed vacancy rates down to 15.2% at the end of the first half of 2011, from 17.3% at the end of 2010. Asking rents remain at EUR 12-15/sq.m/month.

KATOWICE BUSINESS POINT, KATOWICE

For more information on office space market in Poland please visit:

www.cwoffice.pl

POZNAŃ

At the end of the first half of 2011, Poznań's total office stock stood at 250,120 sq.m. The 4,170 sq.m Murawa Office Park (Aiga Investments) was completed. About 26,320 sq.m is under construction, of which 38% will be delivered to the market by the end of 2011. The largest construction starts are Malta Office Park III (Echo Investment S.A.), Okrąglak (Immobel) and Andersia Business Centre (Von der Heyden Group). In the first half of 2011, some 30,700 sq.m was leased, with new agreements representing about 85% of the total. Renegotiations accounted for about 11%. The largest transaction made in the past six months was Allegro's lease of 14,600 sq.m in the Cluster Grunwaldzka (Pixel building), currently under construction. In the first half of the year, asking rents remained at EUR 14-16/sq.m/month. The vacancy rate decreased by about three percentage points to 11.7%.

ŁÓDŹ

With 233,550 sq.m of office space, Łódź is the sixth-largest regional office market. Some 35,500 sq.m is under construction, including the Teofilów Business Park (10,000 sq.m) and the first phase of the Green Horizon (18,000 sq.m). The leasing transaction volume in the first half of 2011 totalled around 21,780 sq.m, of which the majority (96%) was new agreements. Prelets made up about 52% of total take-up. The largest transaction was Infosys BPO Poland's lease of 11,500 sq.m in the Green Horizon, developed by Skanska Property Poland. The vacancy rate is falling, reflecting limited supply and stable demand. In the first half of 2011, the rate was 19.7%. As of a year ago, asking rents range between EUR 12-14/sq.m/month.

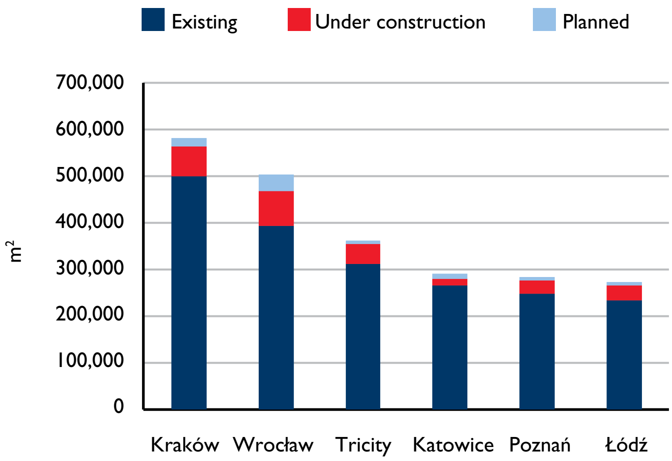
GREEN HORIZON, ŁÓDŹ

EXISTING OFFICE STOCK

City	H1 2011 (m^2)	Asking Rents (EUR/m^2/month)	Vacancy (%)	2012* (m^2)
Warsaw	3,530,490	14-26.5	6.17	3,935,720
CBD	1,210,370	19-26.5	8.05	1,292,740
NCL	2,320,120	14-16.5	5.20	2,642,980
Kraków	500,000	13-15	10.4	561,500
Wrocław	395,000	13-15	4	451,935
Tricity	311,600	13-15	15	353,030
Katowice	267,500	12-15	15.2	281,170
Poznań	250,120	14-16	11.7	276,440
Łódź	233,550	12-14	19.7	264,810
Total	5,488,260			6,124,605

Source: Cushman & Wakefield Valuation & Advisory, July 2011 r. * Forecast

STOCK AND FUTURE SUPPLY IN REGIONAL CITIES



Source: Cushman & Wakefield Valuation & Advisory, July 2011

OFFICE MARKET DIRECTIONS

	Supply	Demand	Rents	Vacancy
Poland	↔	↗	↔	↓
Warsaw CBD	↗	↗	↔	↓
Warsaw NCL	↗	↗	↔	↓
Kraków	↗	↗	↔	↗
Wrocław	↗	↗	↔	↘
Tricity	↗	↗	↔	↗
Katowice	↘	↗	↔	↓
Poznań	↔	↗	↔	↘
Łódź	↔	↗	↔	↓

MARKET OVERVIEW

The improved sentiment in the investment market in H1 2011 was also reflected in the Polish retail market, which shows clear signs of revival. But this optimism is tinged with caution. Major players are still looking to prime schemes and to those assets where developers scaled back their financial expectations.

The occupancy market in Poland is varied. There remains a healthy appetite for established retail in good locations. The highest rents in such schemes are EUR 75-80/sq.m/month for a unit covering 100-150 sq.m. Shopping centres delivered to the market during 2009-2010 posted steadily growing turnover and footfall figures, and falling vacancies. However, only a few new developments attained a 100% occupancy rate prior to opening.

Lease terms, along with location and quality, are major factors affecting tenants' decision to take retail space in projects being developed simultaneously. Retailers are looking for the most flexible lease terms, and/or the most generous fit-out contributions.

Despite positive economic data, occupiers remain cautious, eyeing up lease opportunities and avoiding quick decisions. Most food chains have shelved some of their expansion plans. Further consolidation and acquisitions are expected, which will weaken developers' positions, as they are forced to improve lease terms even further. Large clothing chains are known for implementing expansion plans quickly, but even they are seeking favourable lease terms, including turnover rent and the owner's fit-out contribution. Small retail chains' interest is focused on prime locations offering high footfall and revenues.

With retail development remaining subdued, modern space provision in H1 2011 reached around 300,000 sq.m of GLA, similar to the completion levels of the same period last year. Recently noted gradual rise in development activity will push completion levels up, but this is not expected before 2013.

RETAIL MARKET DIRECTIONS

	Supply	*Demand*	*Rental levels*	*Vacancy*
Poland	↑	↔	↔	↔
Warsaw	↑	↑	↔	↓
Kraków	↑	↔	↔	↔
Łódź	↔	↔	↓	↑
Wrocław	↔	↔	↔	↔
Poznań	↑	↔	↔	↔
Katowice Con.	↑	↑	↔	↔
Tricity	↑	↔	↔	↔
Szczecin	↑	↑	↔	↓
Other cities	↑	↔	↓	↑

MILLENIUM HALL, RZESZÓW

SUPPLY OF MODERN RETAIL SPACE IN POLAND

Source: Cushman & Wakefield Valuation & Advisory, July 2011

* forecast as at the end of 2011

FELICITY, LUBLIN

SHOPPING & LEISURE CENTRES

At the end of second quarter of 2011, Poland had 378 shopping centers, providing total of 7.4 million sq.m of GLA. Medium and small-sized cities accounted for an increasing share in total shopping centre stock: 44.2% at the end of the first half of 2011 against 40.7% for H1 2010. Completed schemes, including large-scale projects such as Galeria Słoneczna in Radom and Turawa Park in Opole, were mainly in smaller cities. Other retail projects opening during the period included Galeria Twierdza in Zamość, Galeria Leszno and Tesco Gołąbkowice in Nowy Sącz. A total of 200,000 sq.m of shopping centre space GLA was added to the market in H1 2011.

At the end of June 2011, more than 700,000 sq.m of shopping centre space was being developed, with another 240,000 sq.m waiting for the construction works to restart. Around 46% of space that is now under construction is expected to hit the market by the end of this year.

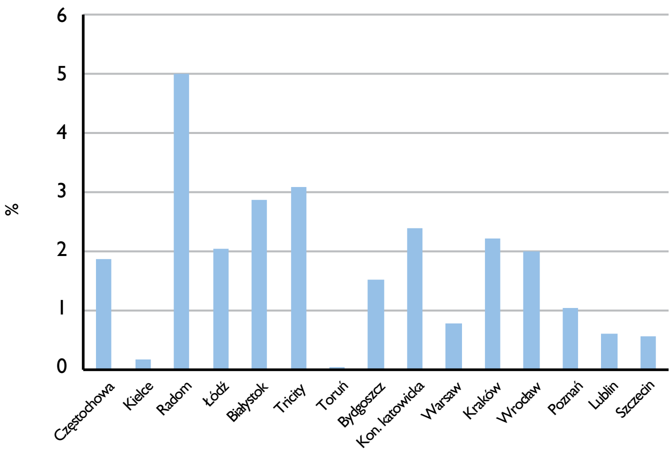
The largest developments under construction include Galeria Kaskada Szczecin, Korona Kielce, Millenium Hall in Rzeszów, Galeria Ostrovia Ostrów Wlkp., Alfa Grudziądz, Galeria Katowicka, Nova Park Gorzów Wlkp. and Plaza Toruń. To raise their competitiveness the established retail schemes are starting extension plans. Examples include the construction of phase II of Galeria Echo in Kielce, phase II of CH Silesia Park in Katowice and phase II of CH Jantar in Słupsk.

The exact total retail provision in place at the end of 2013 is difficult to predict with accuracy, because developers still find it difficult to obtain finance and a number of schemes will not proceed unless a sufficient number of prelets are signed. With this in mind, a rebound in the shopping centre market looks unlikely before 2013.

Demand for shopping centre space is highly selective in terms of both the location and quality as well as retail sector and tenant mix. Most tenants still favour prime urban facilities that attract a stable and loyal customer base. Such schemes are able to command high rents, and tenants are lining up to take the space. Landlords of secondary schemes have to offer very favourable lease terms in order to attract tenants. The average vacancy rate in the cities with a population of more than 200,000 stands at 0-5%. Radom and Tricity posted the highest vacancy rate, while the lowest rates were in Toruń, Kielce, Szczecin, Lublin and Warsaw.

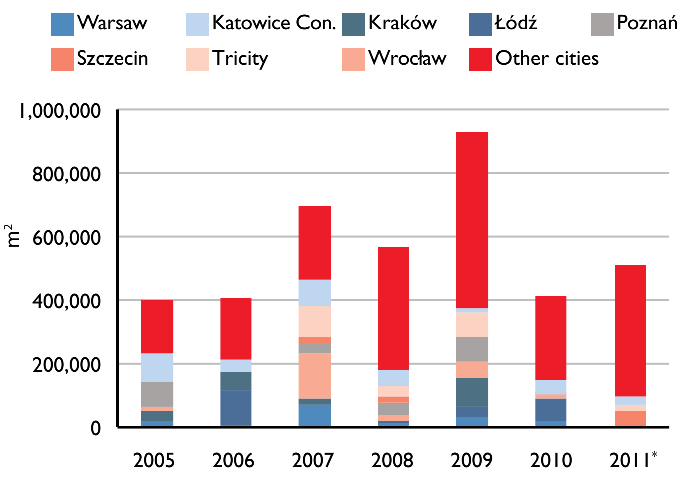
Highest rents for prime shopping centres remained high: on average EUR 75-77/sq.m/month in Warsaw and EUR 37-40/sq.m/month in other conurbations. In secondary schemes, rents continue to be under downward pressure, particularly in small and medium-sized units designated for tenants from the clothing sector.

VACANCY IN SHOPPING CENTRES



Source: Cushman & Wakefield Valuation & Advisory, July 2011

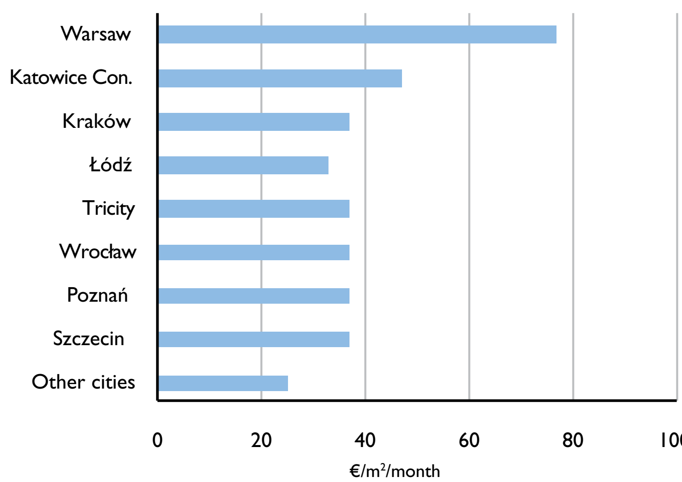
SHOPPING CENTRES IN SELECTED CITIES



Source: Cushman & Wakefield Valuation & Advisory, July 2011

* forecast as at the end of 2011

PRIME RENTS IN SHOPPING CENTRES IN Q2 2011



Source: Cushman & Wakefield Valuation & Advisory, July 2011

MARKETBEAT

HIGH STREETS

In Q1 and Q2 2011 the Polish high street market did not see any major changes. The pattern of development and leasing activity, depending on the city and availability of units, was uneven. Warsaw, in particular Nowy Świat street, experienced a great amount of tenant movement, which resulted in a rise in vacancies. The capital market awaited the opening of the Wolf Bracka department store, scheduled for the end of the year. The project is intended to be a new up-market shopping destination in the city centre. With the development of Galeria Kaskada in Szczecin and Galeria Katowicka in Katowice, city centre locations have proven to be attractive for retailers. Pasaż MM in Poznań is at the final stage of development. The high street market in other conurbations (Tricity, Łódź, Kraków, Wrocław) overall remains flat.

The development of high street as seen in western Europe is slow and dependent on the availability of units meeting the requirements of domestic and international retail chains as well as on the growing demand from luxury brands. The Warsaw market witnessed the most significant changes. Starbucks is to open another shop at Trzech Krzyży square, as does clothing retailer Pinko and Rena Lange. Pandora jewellery located its outlet in Nowy Świat. The retail chains from mid- and up-market sector are continuing to expand in emerging micro-locations, such as Mokotowska street in Warsaw, which is reclaiming its former splendor. It has undergone a complete overhaul, including building renovations and the addition of convenience stores, service points and gastronomy outlets.

High street retailing is not bound to large conurbations. In Poland smaller cities have typically retained a traditional high street, with regular high footfall, undisturbed pedestrian passages and a wide offer of products and services. In Toruń, for example, Szeroka street now boasts Reserved, House, New Yorker, Orsay, Carry, Diverse, and Reporter, among others tenants. Rents on most high streets remained stable, with higher rents in Warsaw (EUR 83-85/sq.m/month) and Kraków (EUR 77-79/sq.m/month).

HYPER AND SUPERMARKETS

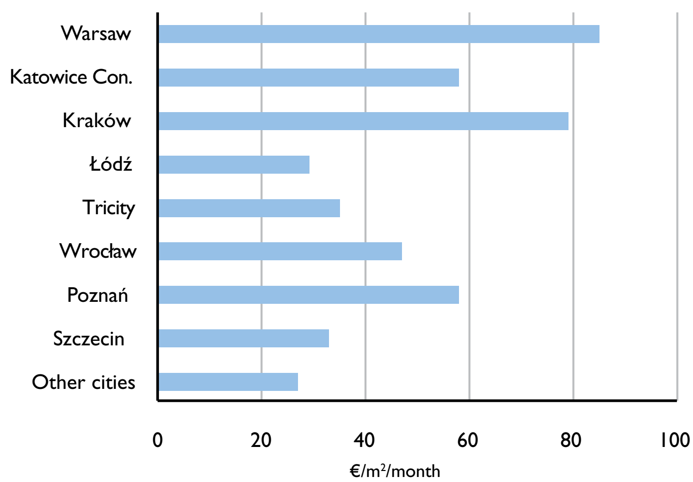
In the first half of 2011 hypermarkets curbed their expansion alongside the continued development of supermarkets and discount stores. Acquisitions, sales and consolidations of food chains are expected later in the year.

There are now over 250 hypermarkets and several thousand supermarkets and discount stores in Poland. The key hypermarket players are Auchan, Carrefour, E. Leclerc, Real as well as Tesco, which is the fastest-growing food chain in the sector. Supermarkets are operated by chains such as Carrefour, Tesco, Kaufland, Billa, Piotr i Paweł, Intermarché and Stokrotka. The discount store segment is dominated by Biedronka, with Lidl, Aldi and Netto catching up.

Openings in the sector during the first six months of 2011 included Tesco in Starogard Gdański, Jarosław (Galeria Pruchnicka) and Nowy Sącz (Centrum Gołąbkowice); Carrefour in Gdańsk (Morski Park Handlowy) and Opole (Turawa Park); Intermarché in Leszno (Galeria Leszno) and Zamość (Galeria Twierdza); and Piotr i Paweł in Słupsk-Bolesławice (CH Pod Wiatrakami). Supermarket operators tend to locate their stores in shopping centres and retail parks. They are, however, also beginning to target large housing estates with no basic retail and service facilities, located in Poland's largest agglomerations. Most retail schemes in the pipeline or under construction offer space to food operators, mainly supermarkets. Schemes to open soon include Piotr i Paweł in Millenium Hall in Rzeszów, Nova Park Gorzów Wlkp. and Alfa Grudziądz; Stokrotka in Galeria Katowicka and Plaza Toruń; and Alma in Kaskada in Szczecin. Also being developed are Tesco hypermarkets in Ostrów Wlkp. (Galeria Ostrovia) and Suwałki.

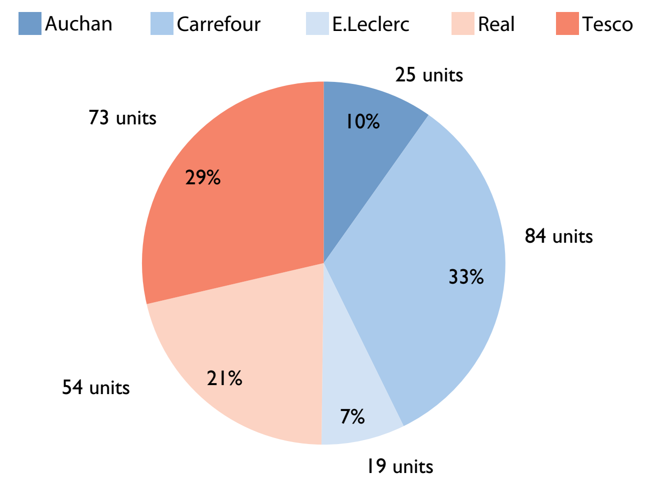
The reduced expansion of large-scale food chains pushed rents down. Rents now stand at EUR 6.5-7.5/sq.m/month for hypermarkets, EUR 9-13/sq.m/month for supermarkets and EUR 5.5-8.5/sq.m/month for discount stores.

PRIME RENTS ON HIGH STREETS IN Q2 2011



Source: Cushman & Wakefield Valuation & Advisory, July 2011

HYPERMARKETS IN POLAND IN Q2 2011



Source: Cushman & Wakefield Valuation & Advisory, July 2011

RETAIL PARKS

At the end of Q2 2011, large-scale non-food stores occupied 2.1 million sq.m, of which 21% was in retail parks. In the first six months of 2011, around 100,000 sq.m of such space was delivered onto the Polish market. The largest schemes completed were Morski Park Handlowy in Gdańsk and CH Pod Wiatrakami in Słupsk. Freestanding DIY stores also continued to expand steadily; new schemes opening in the first half of 2011 included Leroy Merlin in Gliwice, OBI in Suwałki and Castorama in Kraków. Nearly 80,000 sq.m of large-scale non-food retail space is under construction, including Futura Park Modlniczka near Kraków and Family Point in Lublin. IKEA, the largest developer in the retail park sector, has temporarily shelved its expansion plans, which include the construction of a retail city, Bulwary Poznańskie. Nevertheless, the development pipeline for 2013 will supply more than 120,000 sq.m of non-food retail space.

Retail park tenants are mainly retailers from the DIY products, household appliances and electronics, furniture, sports equipment and homeware sectors. The dominant market players include OBI, Castorama, Leroy Merlin, Media Expert, Decathlon, BRW and Agata Meble. Another market leader is Jysk, which has opened stores in small and medium-sized towns as well. Although retail parks are not popular with fashion chains in Poland, some fashion retailers operate successfully in these locations, such as TK Maxx in the Batory retail park in Bydgoszcz. The toy store chain Toys „R" Us, which traditionally opens in retail parks, has also announced its plans to expand in the Polish market.

Rent at retail parks in June 2011 reached EUR 6.5-8/sq.m/month for large units and EUR 9-13/sq.m/month for medium-sized ones. Incentive packages for retail parks are smaller than those for shopping centres, owing to parks' simple structure, relatively low construction costs and basic fit-out standard.

OUTLET CENTRES

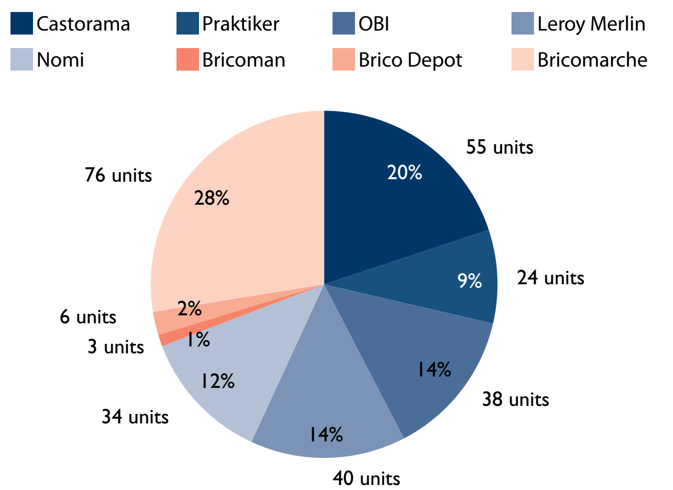
In the first six months of 2011 existing outlet centres consolidated their market positions. The construction of a factory outlet centre in Modlniczka near Kraków is nearing completion, while Echo Investment and Neinver are competing against each other to build a factory outlet in Szczecin. Neinver is also preparing to construct Factory Annopol, its second scheme in Warsaw. Poland is home to six factory outlet centres, totalling nearly 90,000 sq.m. They are Factory Ursus (Warsaw), Factory Wrocław, Factory Luboń (Poznań), Fashion House Piaseczno (Warsaw), Fashion House Gdańsk and Fashion House Sosnowiec. A further 45,000 sq.m is under construction in Factory Modlniczka Kraków and Outlet Park Astra Szczecin. The development pipeline until 2013 exceeds 35,000 sq.m, including Factory Annopol and Factory Szczecin.

Demand for premises in factory outlet centres is still limited, because retail chains in Poland tend to distribute end-of-line items through traditional shopping centres. Factory outlet centres comprise more than 600 stores; the fashion sector accounts for 300 units, sports equipment accounts for 60 units and footwear brands 50. The demand for units in factory outlet centres is reflected in the vacancy rate, which stood at 3-5% at the end of Q2 2011, depending on the scheme.

It is noteworthy that some international retail chains are entering the Polish market through factory outlet centres. Continuing its global expansion strategy, Spanish fashion retailer Desigual opened its first store in Factory Ursus in Warsaw.

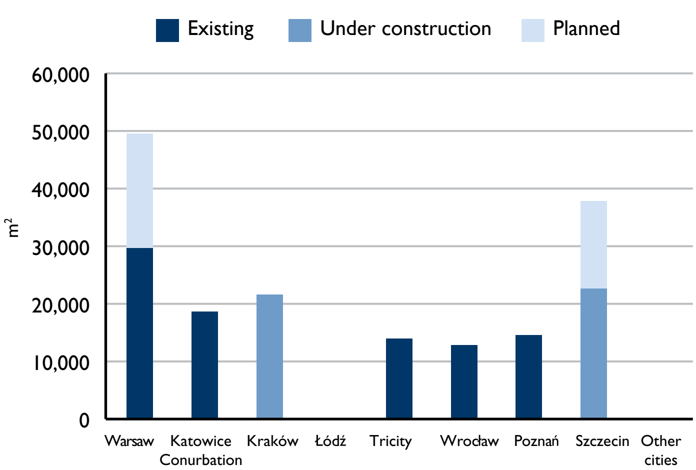
Rent for outlet centres in Poland is lower than for traditional shopping centres and averages EUR 15-21/sq.m/month, depending on location, unit size and brand. Companies looking for space at factory outlet centres expect a contribution to fit-out costs and other financial incentives. Step-up leases and lower rents at the start of operation are also becoming increasingly popular, pushing the gap between headline and effective rents to 10-20%.

DIY SECTOR IN POLAND IN Q2 2011



Source: Cushman & Wakefield Valuation & Advisory, July 2011

FACTORY OUTLETS IN POLAND IN Q2 2011



Source: Cushman & Wakefield Valuation & Advisory, July 2011

MARKET OVERVIEW

The first half of 2011 was the best period for the warehouse occupancy sector since the financial crisis. Following the boom years of 2006-2007 and stagnation in 2008-2009, the warehouse market recovered in 2010 and continued to gain momentum in the first six months of 2011. Take-up rose by 40% and the number of schemes under construction was nearly twice that of the corresponding period of 2010. Total stock reached 6.7 million sq.m.

The warehouse market is developing not only in new regions such as Rzeszów and Lublin, but also in the new locations of established regions such as Central Poland and the Poznań region.

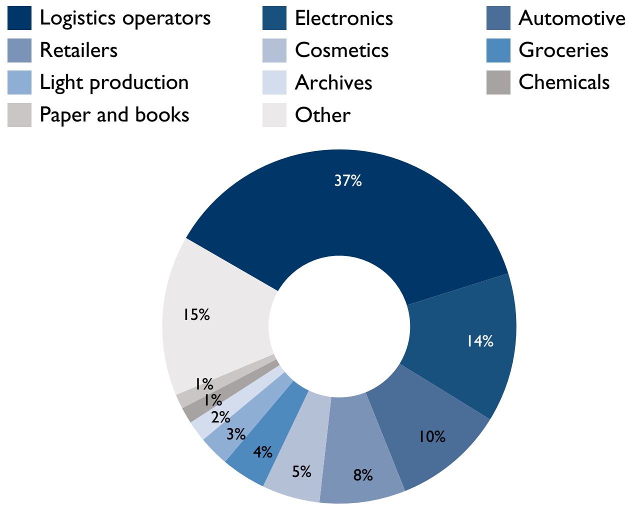
Transaction volume reached nearly 941,000 sq.m in the first half of 2011 with record take-up of 543,000 sq.m in the second quarter. Such strong demand has not been seen since early 2008. Leases for new space or extensions accounted for 75% of all deals. Demand came mostly from logistics operators (37%), electronics companies (14%) and the automotive sector (10%). With 40% market share, Prologis dominated the development market, with renewals accounting for nearly 50% of total deals. It was followed by Panattoni (18%), SEGRO (13%) and Goodman (8%).

Some 136,000 sq.m of warehouse space was delivered in the first half of 2011. The largest completions included Zelmer's scheme in Rzeszów (32,500 sq.m), developed by Panattoni; phase I of Good Point II in Góra Kalwaria (21,900 sq.m); the first building of Kraków Airport Logistics Centre (Goodman, 13,400 sq.m) and Danone's building in Panattoni Park Święcice (13,600 sq.m). At the end of the second quarter 336,000 sq.m was under construction, and as in the previous year some 81% of this space was leased. Schemes to be completed without pre-lets accounted for only 63,000 sq.m. Despite the upturn in the market, speculative projects were rare and usually developed as small modules in buildings with some pre-lets secured, e.g. small business units in Tulipan Park Łódź. Regions with the largest warehouse development volume under construction include Upper Silesia (81,000 sq.m), Wrocław (66,000 sq.m) and Central Poland (54,000 sq.m).

At the end of June 2011 the vacancy rate reached 12.9%, down by 2.1 percentage points from the level at the end of the previous year. All the regions reported lower vacancy rates, with the lowest in Kraków (0.6%), Poznań (4.6%) and Tricity (5.8%) and the highest in Szczecin (63%), where the only warehouse park in the region, Prologis Park Szczecin, is located. This pushed rents up throughout most of Poland. The highest rents are noted for the space located within the cities' administrative borders, where they are much higher than in the fringe areas. In the Warsaw urban areas rents stand at EUR 5.80/sq.m/month and in Łódź up to EUR 4.5/sq.m/month. In other regions they range between EUR 3-4/sq.m/month. Rents also varied depending on location, and were, for instance, several dozen eurocents higher in the Pruszków and Ożarów region near Warsaw than in Błonie.

PROLOGIS PARK, DĄBROWA GÓRNICZA

TAKE-UP BY SECTORS IN POLAND



Source: Cushman & Wakefield Valuation & Advisory, www.industrial.pl, July 2011

INDUSTRIAL MARKET DIRECTIONS

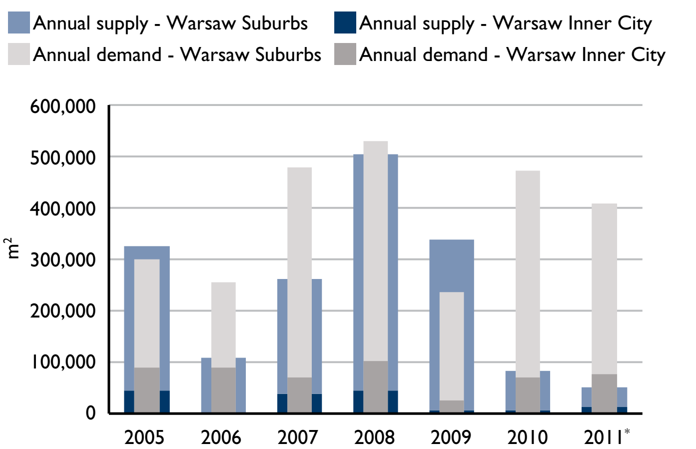
Region	Supply	Demand	Rents	Vacancy
Poland	↗	↗	↗	↘
Warsaw	↗	↗	↔	↘
Upper Silesia	↗	↗	↗	↔
Central Poland	↗	↗	↔	↘
Poznań	↔	↗	↗	↘
Wrocław	↔	↗	↗	↘
Tricity	↔	↔	↔	↘
Kraków	↗	↔	↔	↔

WARSAW REGION

WARSAW AREA MARKET OVERVIEW		
Existing Stock	2,658,000 m²	
Stock Under Construction	27,000 m²	
Vacancy Rate	18.8%	
Take-Up	407,000 m²	
Major Landlords	Panattoni, Prologis, SEGRO, MLP Group, CA Immo, PointPark Properties, Apollo-Rida	
	Warsaw Inner City Zone	*Warsaw Suburbs Zone*
Headline Rents	€ 4.5 - 5.8 m²/month	€ 2.9 - 3.6 m²/month
Effective Rents	€ 4.0 - 5.5 m²/month	€ 2.0 - 3.1 m²/month
EXAMPLE DEALS		
Building	*Company*	*Size*
Prologis Park Sochaczew	Procter & Gamble	50,000 m²
Prologis Park Teresin	Solid Logistic	35,000 m²
Panattoni Park Święcice	Tech Data Polska	17,000 m²

The Warsaw warehouse market comprises two zones: the inner city within the capital's administrative borders, with nearly 23% of the total stock, and the Warsaw suburbs, an area 12-50 km in diameter surrounding the inner city, with the remaining 77% of the warehouse stock. In the first half of 2011, 44,900 sq.m came on stream: in the first facility in Good Point II, Danone's building in Panattoni Park Święcice, and the last phase of Żerań Park II, bringing Warsaw's total stock to around 2.66 million sq.m. Transaction volume rose strongly with around 407,000 sq.m leased in the first half of 2011. Most leases were for space in the suburbs (84%), where demand came mainly from logistics operators. The key tenants in the inner city were courier companies and retail chains. The vacancy rates in the inner city rose slightly to around 12.3%. In the suburbs they fell to 20.6%, which pushed rents up slightly in most locations. Rents remained stable only in Błonie and Mszczonów, the areas with the largest vacant space volumes. In the inner city they remained at 2010's level.

SUPPLY AND DEMAND IN WARSAW REGION



Source: Cushman & Wakefield Valuation & Advisory, www.industrial.pl, July 2011

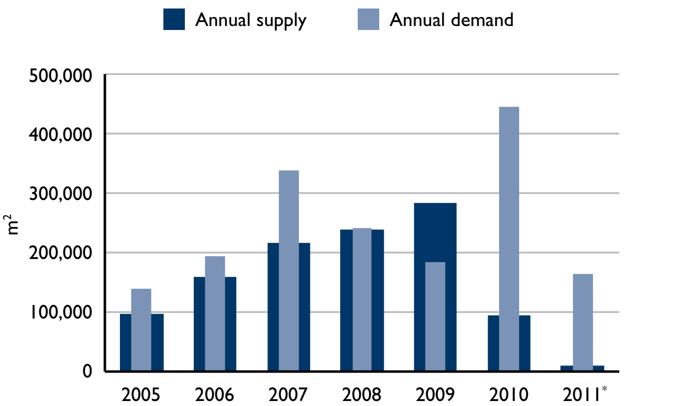
* H1 2011

UPPER SILESIA

UPPER SILESIA MARKET OVERVIEW		
Existing Stock	1,234,000 m²	
Stock Under Construction	81,000 m²	
Vacancy Rate	8.2%	
Take-Up	164,000 m²	
Major Landlords	Prologis, Panattoni, SEGRO, MLP Group, BIK, Menard Doswell	
Headline Rents	€ 3.0 - 3.5 m²/month	
Effective Rents	€ 2.7 - 3.0 m²/month	
EXAMPLE DEALS		
Building	*Company*	*Size*
Prologis Park Chorzów	ID Logistics	20,200 m²
Prologis Park Sosnowiec	Wincanton	16,800 m²
Prologis Park Chorzów	Latex Groehl Gerard	11,600 m²

Upper Silesia is the most important industrial region in southern Poland and its road infrastructure guarantees easy access to and from other regions of Poland and Europe. It has been very popular with tenants for years, particularly with those interested in manufacturing space or large spaces for supraregional logistics centres. Upper Silesia is the second-largest warehouse market in Poland. At the end of June 2011 stock was 1.234 million sq.m. The only scheme delivered in the first half of 2011 was a 9,800 sq.m small unit park, SEGRO Business Park Gliwice. Around 81,000 sq.m of warehouse space was under construction, around 86% of which was pre-let. The largest schemes currently under construction include SEGRO Industrial Park Tychy (36,500 sq.m) and phase I of Panattoni Park Gliwice (11,160 sq.m). In the first half of 2011 transaction volume reached 164,000 sq.m. Upper Silesia reported vacant warehouse space of 101,500 sq.m, or 8.2% of its total stock. Headline and effective rents remained at December 2010's level, but are expected to rise slightly by the end of 2011.

SUPPLY AND DEMAND IN UPPER SILESIA REGION



Source: Cushman & Wakefield Valuation & Advisory, www.industrial.pl, July 2011

* H1 2011

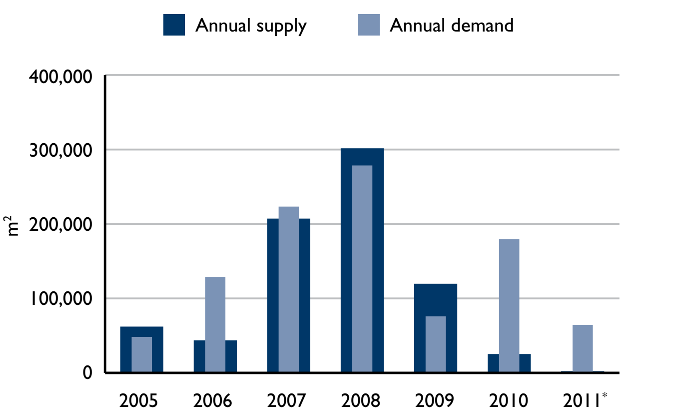
CENTRAL POLAND

CENTRAL POLAND MARKET OVERVIEW		
Existing Stock	915,000 m^2	
Stock Under Construction	54,000 m^2	
Vacancy Rate	12.9%	
Take-Up	64,500 m^2	
Major Landlords	Panattoni, SEGRO, Prologis, Emerson, CA Immo, AIB PPM, AIG/Lincoln, Goodman	
Headline Rents	€ 2.8 - 3.9 m^2/month	
Effective Rents	€ 2.0 - 3.1 m^2/month	
EXAMPLE DEALS		
Building	*Company*	*Size*
Prologis Park Piotrków	Carrefour	21,200 m^2
Tulipan Park Stryków	Hellmann Worldwide Logistics	15,000 m^2
Panattoni Business Center Łódź	Ruch S.A.	5,400 m^2

Central Poland's market comprises 915,000 sq.m of warehouse space. Its warehouse parks are in four locations with significantly varied rents and tenants: Łódź, Stryków, Piotrków Trybunalski and Rawa Mazowiecka. Two new cities will soon appear on Central Poland's warehouse map: Radomsko and Pabianice. In Radomsko, Panattoni is developing a 32,000 sq.m built-to-suit scheme for Manuli, while Pabianice's pipeline includes Goodman's 27,000 sq.m development Łódź Logistics Centre. Łódź, with nearly 227,000 sq.m in six warehouse centres, is the fastest-developing location.

In the first half of 2011, take-up reached 64,500 sq.m with renewals making up around 56% of leasing deals. Logistics operators and retail chains took the largest shares of the transaction volume, 38% and 36% respectively. The vacancy rate fell to 12.9%. Warehouse rents stand at EUR 2.8-3.9/sq.m/month, with the highest figures for small business units at EUR 4-4.5/sq.m/month.

SUPPLY AND DEMAND IN CENTRAL POLAND REGION



Source: Cushman & Wakefield Valuation & Advisory, www.industrial.pl, July 2011

* H1 2011

POZNAŃ REGION

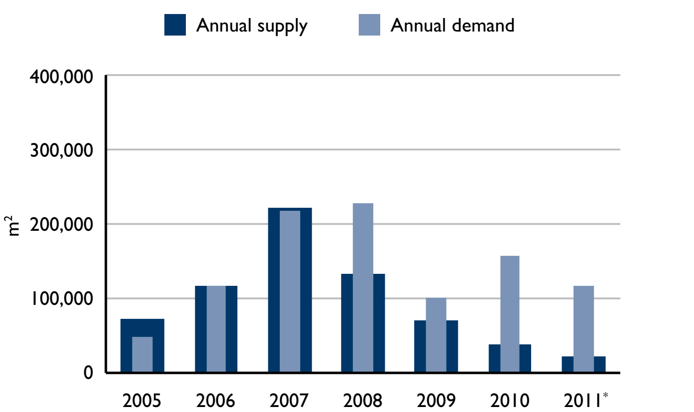
POZNAŃ AREA MARKET OVERVIEW		
Existing Stock	931,000 m^2	
Stock Under Construction	46,000 m^2	
Vacancy Rate	4.6%	
Take-Up	120,000 m^2	
Major Landlords	CLIP, Panattoni, Prologis, SEGRO, PointPark Properties, MLP Group, Goodman	
Headline Rents	€ 3.15 - 3.6 m^2/month	
Effective Rents	€ 2.4 - 3.0 m^2/month	
EXAMPLE DEALS		
Building	*Company*	*Size*
Goodman BTS	Amica	30,000 m^2
Panattoni BTS	Faurecia	17,600 m^2
Prologis Park Poznań II	Samsung	13,500 m^2

Warehouse stock in Wielkopolskie's market is 931,000 sq.m. Warehouse parks are located in the Poznań area.

Two phases of Panattoni Park Poznań, of total area of around 22,100 sq.m, were completed in the first half of 2011. Around 46,000 sq.m was pre-let in schemes under construction.

Transaction volume in the first half of 2011 reached 120,000 sq.m, with new leasing deals accounting for around 88% and renewals making up around 12% of the total. The biggest deal was an agreement between Goodman and Amica to develop a 30,000 sq.m facility. The vacancy rate dropped by nearly 4 percentage points from December 2010's level to around 4.6% in June 2011. Headline rents stood at EUR 3.15-3.6/sq.m/month.

SUPPLY AND DEMAND IN POZNAŃ REGION



Source: Cushman & Wakefield Valuation & Advisory, www.industrial.pl, July 2011

* H1 2011

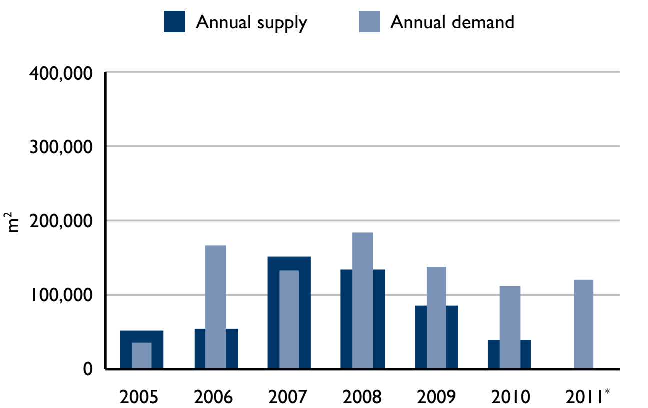
WROCŁAW REGION

WROCŁAW AREA MARKET OVERVIEW		
Existing Stock	610,000 m²	
Stock Under Construction	66,000 m²	
Vacancy Rate	10.1%	
Take-Up	120,000 m²	
Major Landlords	Prologis, Panattoni, Tiner, Skalski, Goodman	
Headline Rents	€ 3.0 - 3.9 m²/month	
Effective Rents	€ 2.4 - 3.0 m²/month	
EXAMPLE DEALS		
Building	*Company*	*Size*
Wrocław East Logistics	TJX Europe	26,900 m²
Prologis Park Wrocław V	UPM Raflatac	19,100 m²
Prologis Park Wrocław	Geodis	10,000 m²

The region of Lower Silesia's capital, with its warehouse stock of 610,000 sq.m, is the fifth-largest regional market in Poland. Warehouse parks occupy the areas along the A4 motorway: Żórawina, Bielany Wrocławskie, Nowa Wieś Wrocławska and Kąty Wrocławskie. The completion of Wrocław's motorway ring road has attracted potential tenants to the city's areas near the airport and in the Psie Pole district, where schemes are expected to take shape. Nearly 66,000 sq.m of warehouse space is under construction, with around 82% on a pre-let basis.

Transaction volume in the first half of 2011 was around 120,000 sq.m., comparable to 2010's level. New leasing deals accounted for 86% of the total. The increased demand and the dearth of new supply pushed the vacancy rate down by more than 3 percentage points to 10.1%. Headline and effective rents remained stable, but are likely to rise slowly in the upcoming months.

SUPPLY AND DEMAND IN WROCŁAW REGION



Source: Cushman & Wakefield Valuation & Advisory, www.industrial.pl, July 2011

* H1 2011

TRICITY REGION

Tricity's warehouse stock stands at 119,500 sq.m. No development was completed in the first half of 2011 and the space under construction includes only the 8,700 sq.m Panattoni Park Gdańsk project. The development of phase II of 7R Logistic totalling 22,000 sq.m is to break ground in the second half of 2011. Developers secured substantial amount of investment land. The development pipeline includes around 830,000 sq.m of prime warehouse space in total, of which 84% is in Goodman's Pomorskie Centrum Logistyczne.

Transaction volume in the first half of 2011 doubled 2010's take-up level to reach around 30,000 sq.m. The vacancy rate for the region was around 5.8%, still one of the lowest in Poland. Rents remained at EUR 3.5-4/sq.m/month.

KRAKÓW REGION

With prime warehouse stock of around 81,000 sq.m, Kraków is the seventh-largest regional market in Poland. Around 13,400 sq.m in phase I of Goodman's Kraków Airport Logistics Centre came onto the market in the first half of 2011, phase II is still under construction (around 22,000 sq.m – fully leased) as is MARR Business Park (12,700 sq.m, with 4,700 sq.m vacant).

Take-up in the first half of 2011 rose by 27% from 2010's total volume to reach 29,400 sq.m. The vacancy rate of around 0.6% is the lowest in the country and keeps rents high at around EUR 4/sq.m/month.

OTHER REGIONS

There are also large warehouse facilities in Toruń, Szczecin and Rzeszów. Stock in these locations is around 72,000 sq.m, 41,650 sq.m and 49,500 sq.m respectively. In the Toruń area there are two fully leased logistics centres: Toruń Logistics Centre and Panattoni Park Toruń. They can be expanded by a further 56,000 sq.m. The only warehouse scheme in the Szczecin market is Prologis Park Szczecin, which is only approximately 37% let. Other phases of this scheme will be built depending on the region's development and demand for warehouse space. The completion of Panattoni Park Rzeszów in the first half of 2011 added 32,500 sq.m to the Rzeszów warehouse market. The region's improving road infrastructure makes south-eastern Poland increasingly attractive to investors. In the coming years, warehouse markets are also expected to develop in other cities such as Lublin and Mielec.

For more information on industrial market in Poland please visit:

www.industrial.pl

MARKET OVERVIEW

MARKET CONDITIONS

Housing sales offer in the affordable segment showed an upward trend in the first half of 2011. Demand edged down slightly, owing mainly to higher interest rates, which reduced the borrowing power of potential purchasers. The strengthening of Swiss franc, which soared in value against the zloty in the past few months, adversely affected mortgage holders by increasing debt repayments.

The "Recommendation S" adopted at the beginning of the year, which tightened borrowing terms, came into effect, in part, in July 2011. One of the planned changes to the "Rodzina na swoim" programme, the reduction of subsidies through lower price limits, will reduce demand. Growing competitiveness among developers in the largest cities will put further downward pressure on prices.

Premium residential properties are attracting steady interest from purchasers, which is reflected in a good pace of sales in high-end projects such as Sky Tower in Wrocław or Złota 44 in Warsaw. Apartments in prime locations continue to enjoy strong interest and they are sold already during the construction stage. However, a number of luxury residential premises completed at the peak market, which are in less favourable locations, are still waiting for a buyer. The target group of the luxury market, although small, is less susceptible to unfavourable bank lending arrangements.

SUPPLY TRENDS

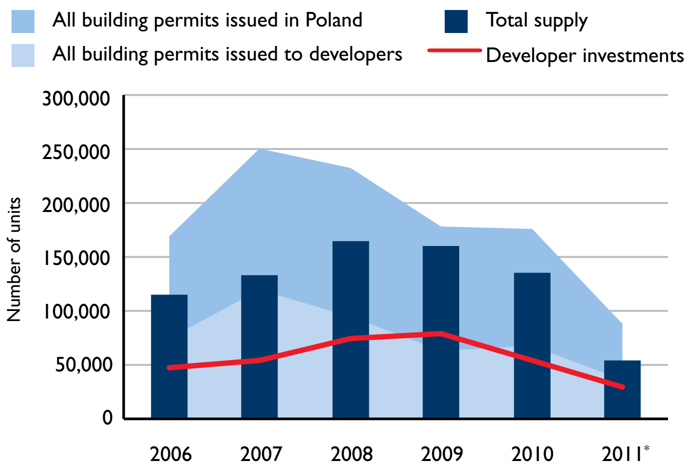
In the first two quarters of 2011, new housing completions totalled 55,000 units, which, compared with 2010's and 2009's total, represents a decrease of 13.1% and 27.2% respectively. With 33,000 units delivered to the market, individual investors accounted for the largest share of total supply (60%), an increase of 3.4% compared with the total for the first half of 2010. Developers made up 34.6% of supply (around 19,000 units, a decline of 24.9% compared with the same period of 2010), with housing cooperatives comprising 1.9% of total supply (around 1,000 units). A number of residential projects, launched after the crisis, are expected to hit the market soon, and these should raise completion levels in the coming months. The reduction in the rate of supply growth is mostly the result of the dearth of construction starts during the downturn.

There were around 80,000 housing unit starts in H1 2011 (a fall of 1.3% compared with the same period of 2010). It must be noted, however, that in June alone around 16,000 dwellings started construction, which represents an increase of 10.1% on the same month in the previous year.

Individual investors were the most active on the housing unit market, accounting for 48,000 unit start-ups, an increase of 7.4%. Developers provided 28,500 dwellings start-ups, a decrease of 9.3%.

OSADA NAD JEZIOREM, MIKOŁAJKI

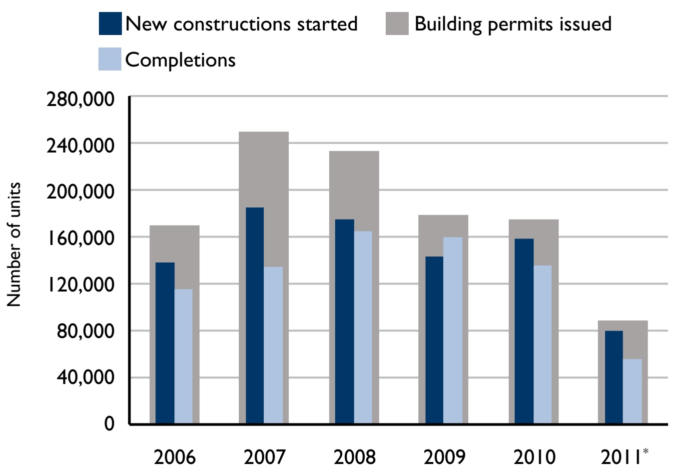
GENERAL MARKET CHARACTERISTICS



Source: Cushman & Wakefield Valuation & Advisory, CSO, July 2011

* H1 2011

RESIDENTIAL SUPPLY



Source: Cushman & Wakefield Valuation & Advisory, CSO, July 2011

* H1 2011

The total number of building permits issued rose by 7.3% in the first two quarters of 2011 compared with the total for the first half of 2010. The difference between building permits and construction starts was 8,000 dwellings. Developers obtained nearly 23.6% more building permits during this period than they did in the first half of the previous year, while individual investors obtained 0.8% fewer.

DEMAND TRENDS

The main determinant of residential demand is banks' lending policies. Following the crisis, there was a significant reduction in foreign currency-denominated lending, which boosted the buying power of the zloty. Four successive interest-rate increases from the Monetary Policy Council, from 3.5% to 4.5% lowered the mortgage availability and raised borrowing costs (partially offset by the bank margin reduction).

First-time buyers (mostly families) accounted for the most demand, which was enhanced by the government's "Rodzina na swoim" programme. Sales of buy-to-let residential units and speculative investments fell; price was still a major factor in people's buying decisions.

Low-priced two- and three-room premises covering 40-55 sq.m continued to be the most sought-after residential units in H1 2011.

Within up-market residential sector small sized luxury projects located in the most prestigious city centre locations as well as refurbished tenement houses are drawing increasing interest. Luxury apartments and residences in tourist destinations, in particular at the sea and in the mountains, are also becoming attractive. Such assets are considered to offer buyers a good long-term capital investment opportunity.

PRICE TRENDS

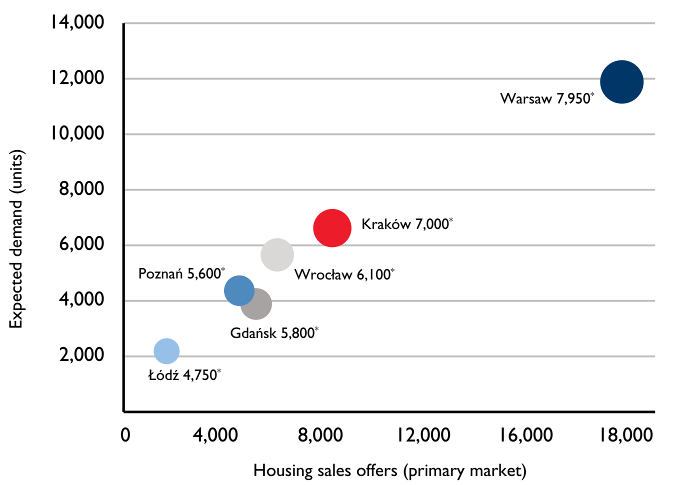
Average residential prices in Poland continued their downward trend, the result of exchange rate-affected lending conditions and more low-priced premises on offer. Rising competitiveness among developers coupled with record supply of flats is likely to put downward pressure on prices, particularly in the largest cities. It must be noted, however, that only purchasers of large high-end apartments that are difficult to sell are likely to benefit from incentives and price cuts. The most popular premises are likely to command higher prices. Meanwhile, developers are becoming more responsive to price-sensitive clients.

RESIDENTIAL MARKET DIRECTIONS

Supply	Available offers	Demand	Price level
Warsaw			
↗	↗	↘	↘
Kraków			
↗	↗	↘	↘
Wrocław			
↗	↗	↘	↘
Poznań			
↗	↗	↘	↘
Gdańsk			
↗	↗	↘	↘
Łódź			
↗	↗	↘	↘

SKY TOWER, WROCŁAW

SELECTED MARKET CHARACTERISTICS



Source: Cushman & Wakefield Valuation & Advisory, July 2011

* Average price (PLN/m²)

MARKET OVERVIEW

The Polish hotel industry in the first half of 2011 was still set firmly on a path of growth. According to rough estimates from the Institute of Tourism, in Q1 2011 Poland welcomed 13.6 million foreign visitors, up by 10% on the same period the previous year. Holiday and business visits trips accounted for a growing share of total visits, boosting demand for hotel services.

The hotel market will benefit from the demand spikes generated by large events such as Poland's term as chair of the EU and the 2012 UEFA European Football Championship, which Poland and Ukraine are jointly hosting. As a result, occupancy is expected to continue to rise, but the real positive news is that the average daily room rates (ADR) should continue their upward trend.

SUPPLY

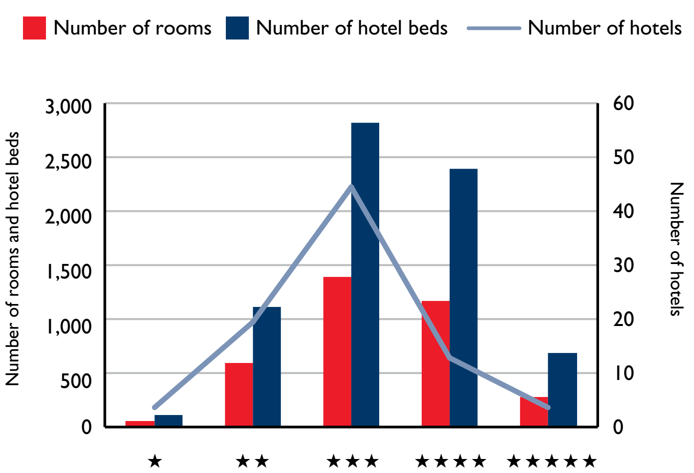
During H1 2011, 87 officially licensed hotels came on to the Polish hotel market, adding around 7,500 bed places in nearly 3,700 rooms. Several facilities were reclassified (e.g. the Konin hotel in Konin and the Maxi hotel in Kwidzyn), and a few lost the right to operate as a hotel. Some 75% of new hotel supply consisted of two- and three-star facilities. The number of total rooms increased by around 5% and bed places by 4% over 2010's figures. With 18 officially licensed hotels, Małopolska voivodship accounted for the largest share of hotel supply. The Lubuskie region saw no hotel additions.

KEY EVENTS

- The three-star Puro hotel, the first intelligent hotel in Poland, opened in Wrocław. It offers innovative technology solutions both in the hotel management system and its architectural design. Puro hotel is the only hotel facility in CEE region nominated to the European Hotel Design Awards. Plans are in place for Kraków and Poznań to host a hotel under the Puro brand.
- A four-star Qubus hotel opened in Bielsko-Biała, the fourteenth Qubus hotel in Poland.
- Odyssey ClubHotel Wellness & SPA opened in Masłów near Kielce, and is the first five-star hotel in Świętokrzyskie voivodship.
- A number of Best Western hotels, the world's biggest hotel operator, were added to the Polish markets: hotels in Rzeszów, in Osjaków (Łódzkie voivodship), Warsaw (formerly the Felix hotel). Each Best Western hotel is an independently owned and operated franchise.
- Hotel Kyriad Prestige in Warsaw, a part of the Louvre hotel group, has changed its name into Golden Tulip. The Warsaw Hotel Kyriad was the only hotel under the brand operating outside France. The new name is expected to improve the recognition as well as facilitate the growth of Golden Tulip brand in Poland.
- Hilton International Group will introduce its budget brand Hampton by Hilton to the Polish market. It has signed franchising agreement for hotel project in Świnoujście, a town showing great growth potential driven by robust hotel demand coming from foreign tourists, particularly from Germany. Further hotels operating under the brand of Hampton by Hilton are planned in e.g. Warsaw and Gdańsk, in the direct proximity to airports.
- A foundation stone for another development of French hotel group B&B has been laid in Warsaw. It will be the chain's second property in Poland. Further hotels are expected in other cities including Wrocław and Łódź.

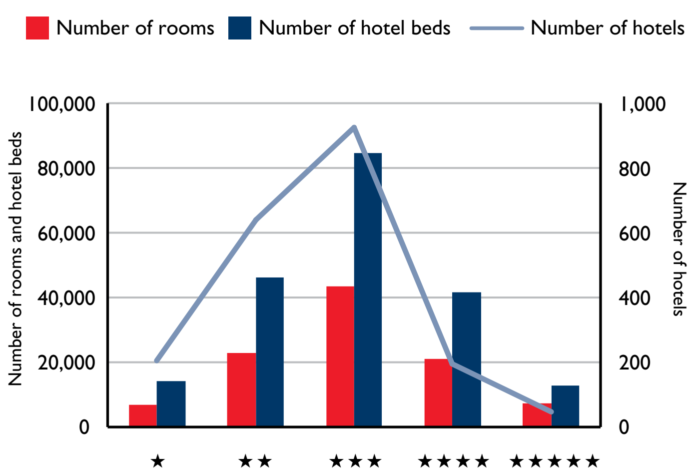
The development of the branded budget hotel market shows that the Polish market as a whole is reaching its maturity. Mature markets are more likely to see the expansion of budget hotels; recognized international hotel operators first establish their core upscale brands in a market before introducing budget brands to create critical mass. The trend is best illustrated by Hilton's recent moves in the Polish market. However, unless the country's transport infrastructure improves, thus encouraging travel, hotel supply will outstrip the demand.

POLISH HOTEL NEW SUPPLY IN H1 2011



Source: Cushman & Wakefield Valuation & Advisory, July 2011

POLISH HOTEL STOCK IN H1 2011



Source: Cushman & Wakefield Valuation & Advisory, July 2011

HOTEL PURO, WROCŁAW

HOTEL RIALTO, WROCŁAW

MARKET FACTS

- Demand is mainly driven by institutional clients.
- Domestic demand is continuing to rise.
- Investors have used EU funds effectively, launching hotel projects and extending and refurbishing the existing ones.
- Interest continues in the development of hotels in airport and railway station locations.
- Emerging onto the market is a new hotel concept with a holistic focus on health and well-being initiated in Poland by the Spa Dr Irena Eris hotel chain. Spa and wellness offer is complemented with a wide range of so called holistic healing such as physiotherapy, meditation, yoga, life coaching and healthy eating advice.
- A number of hotel projects that were mothballed during the downturn have been restarted.
- Existing operators are looking to expand into new territories, particularly the budget sector.
- Despite well-known hotel operators' interest in Poland, their coverage of a number of Polish cities is relatively limited because of the country's poor transport infrastructure.

POLISH HOTEL STOCK IN H1 2011

Voivodship	*Number of hotels*	*Number of rooms*	*Number of hotel beds*	*Number of hotel beds per 10,000 inhabitants*
Lower Silesia	230	10,810	21,540	74.8
Kujawy-Pomerania	103	4,021	7,684	37.1
Lublin	49	1,910	3,655	17.0
Lubuskie	69	2,659	5,106	50.5
Łódź	88	5,035	9,488	37.4
Małopolska	298	14,158	29,227	88.3
Mazovia	207	16,353	30,518	58.2
Opole	40	1,004	2,023	19.7
Podkarpacie	103	3,022	5,989	28.5
Podlasie	23	1,336	2,705	22.8
Pomerania	147	7,416	15,138	67.6
Silesia	174	9,287	18,642	40.2
Świętokrzyskie	74	2,876	5,787	45.7
Warmia-Masuria	97	5,348	11,136	78.0
Wielkopolska	215	8,451	16,036	46.9
West Pomerania	95	5,953	11,851	70.0
Poland	2,012	99,639	196,525	51.4

Source: Cushman & Wakefield Valuation & Advisory, July 2011

POLISH HOTEL NEW SUPPLY IN H1 2011

Voivodship	*Number of hotels*	*Number of rooms*	*Number of hotel beds*
Lower Silesia	7	268	560
Kujawy-Pomerania	3	197	370
Lublin	3	76	149
Lubuskie	0	0	0
Łódź	5	284	599
Małopolska	18	881	1,928
Mazovia	13	373	711
Opole	4	68	136
Podkarpacie	3	105	200
Podlasie	2	34	74
Pomerania	4	119	222
Silesia	7	282	510
Świętokrzyskie	4	173	345
Warmia-Masuria	3	259	451
Wielkopolska	7	264	488
West Pomerania	4	314	754
Poland	87	3,697	7,497

Source: Cushman & Wakefield Valuation & Advisory, July 2011

CUSHMAN & WAKEFIELD VALUATION & ADVISORY

Cushman & Wakefield has been providing clients with in-depth analytical surveys of various sectors of Poland's property market, such as Investment, Office, Retail, Residential, Hotel and Industrial as well as regional overviews. Through research into current and future real estate market conditions and by the application of proprietary analytical methods to quantify risks and rewards, we help to identify the challenges and opportunities presented by changing business cycles.

Our valuations are prepared to serve variety of purposes including:

- Portfolio valuations including hotels
- Acquisition / disposal
- Loan security
- Accounting / financial reporting
- Insurance
- Update of perpetual usufruct fee
- Compensation amount (compulsory purchase)
- Reduction of planning charge
- Client's internal needs

The valuation reports are made in accordance with the Polish standards – PFSRM as well as the international standards – TEGoVA and RICS (Red Book), which comply with IVS.

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presents over one thousand prime commercial facilities in the Polish real estate market covering office, retail, warehouse and hospitality sectors, including properties intended for sale. The website also gives users access to a professional investment calculator.

www.cwoffice.pl
is dedicated to office space in Poland. It offers detailed information on hundreds of office buildings in the largest Polish cities: Warsaw, Kraków, Katowice, Poznań, Łódź, Wrocław, Tricity and Szczecin.

www.industrial.pl
is devoted mainly to warehouse market. The service provides information about all logistic parks in Poland.

www.cwprojectmanagement.pl
contains detailed information on the Project Management Department offer as well as enables clients to prepare preliminary cost estimation of the selected services.

www.cwassetmanagement.pl
presents a wide range of services provided by the Property and Asset Management Department. Users have access to detailed information about the managed property portfolio among others.

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